

REPORTS ANALYSIS DIVISION REFERRAL

TO

OFFICE OF GENERAL COUNSEL

DATE: January 10, 2017

ANALYST: Samantha Hay

I. COMMITTEE:

The Council of Insurance Agents &
Brokers Political Action Committee
(C00039578)

Ken A. Crerar, Treasurer
701 Pennsylvania Avenue, NW
Suite 750
Washington, DC 20004-2608

II. RELEVANT STATUTE:

52 U.S.C. § 30104(b)
11 CFR § 104.3

III. BACKGROUND:

Failure to Provide Supporting Schedules (Failure to Disclose All Financial Activity)

The Council of Insurance Agents & Brokers Political Action Committee ("the Committee") amended its 2015 Year-End Report to disclose an additional disbursement of \$700,000.00, which was not disclosed on the original report. The Committee also amended its 2016 February Monthly Report to disclose an additional \$700,000.00² receipt, which was not disclosed on the original report (Attachments 2 and 3).

2015 Year-End Report

On January 28, 2016, the Committee filed the original 2015 Year-End Report covering the period of December 1, 2015 through December 31, 2015. The report

² The increase in disbursements disclosed on the 2015 Year-End Report appears to be directly related to the increase in receipts disclosed on the 2016 February Monthly Report.

disclosed \$0.00 in disbursements on Line 29 (Other Disbursements) of the Detailed Summary Page (Image 201601289004671927).

On May 20, 2016, the Committee filed an Amended 2015 Year-End Report. The report disclosed \$700,000.00 in disbursements on Line 29, an increase of \$700,000.00 in disbursements from the original report (Image 201605209015991160, Attachment 2). The Committee included memo texts in the report, which stated in part, "Mistaken Disbursement - returned on January 8, 2016" (Images 201605209015991162 and 201605209015991225).

On September 7, 2016, a Request for Additional Information (RAI) was sent to the Committee referencing the Amended 2015 Year-End Report, received May 20, 2016. The RAI requested clarification regarding the substantial increase in disbursements disclosed on the Amended 2015 Year-End Report (Image 201609070300058091).

2016 February Monthly Report

On February 19, 2016 the Committee filed the original 2016 February Monthly Report covering the period of January 1, 2016 through January 31, 2016. The report disclosed \$0.00 in receipts on Line 15 (Offsets To Operating Expenditures) of the Detailed Summary Page (Image 201602199008498482).

On May 20, 2016, the Committee filed an Amended 2016 February Monthly Report. The report disclosed \$700,000.00 in receipts on Line 15, an increase of \$700,000.00 in receipts from the original report (Image 201605209015991228, Attachment 3). The Committee included memo texts in the report, which stated in part, "Return of mistaken disbursement made on December 10, 2015" (Images 201605209015991231 and 201605209015991236).

On September 7, 2016, a Request for Additional Information (RAI) was sent to the Committee referencing the Amended 2016 February Monthly Report, received May 20, 2016. The RAI requested clarification regarding the substantial increase in receipts disclosed on the Amended 2016 February Monthly Report (Image 201609070300058089).

On October 5, 2016 the Committee filed a Miscellaneous Electronic Submission ("FEC Form 99") in response to the RFAs referencing the Amended 2015 Year-End Report and the Amended 2016 February Monthly Report. The Committee stated, in part:

"We acknowledge that the Councils accounting staff mistakenly disbursed money from the Council PAC to The Council operating account on December 10, 2015. The money was subsequently returned back to the Council PAC 29 days later on January 8, 2016. Both of these transactions occurred without the review and approval of the Treasurer. The Treasurer of Council PAC and The Councils Chief Financial Officer became aware of these actions as a result of the Councils annual internal audit in May,

which succeeded in identifying any issues surrounding the accounts. As a result of the audit, Council staff worked with legal counsel to amend and refile FEC reports to properly acknowledge and reflect this inadvertent activity. Further FEC reports were amended and filed as a result of this subsequent review.

Since the internal audit, numerous controls have been established to prevent such action from occurring again. We appreciate the opportunity to explain the circumstances surrounding these amendments more fully and are willing to answer any further questions you may have" (Image 201610059032169837).

On October 26, 2016, the Reports Analysis Division (RAD) Analyst called Ken Crerar, the Committee's Treasurer, to inform him that the increase in disbursements on the Amended 2015 Year-End Report and the increase in receipts on the Amended 2016 February Monthly Report would be referred for potential further action. Mr. Crerar explained that the Committee had put in place additional measures to prevent such errors from occurring again. The RAD Analyst told the Committee they could submit additional information for the public record if necessary (Attachment 4).

On October 27, 2016, Jason Abel, counsel to the Committee, called the Analyst in reference to the referable matter. The Analyst informed Mr. Abel that the increase in disbursements on the Amended 2015 Year-End Report and the increase in receipts on the Amended 2016 February Monthly Report would be referred for potential further action. The Analyst informed him of the opportunity to include additional information on the public record. Mr. Abel asked what additional information the FEC suggests he include. The Analyst advised the Committee to include information pertaining to the omission of the misdeposit from the original report and the recently enacted additional measures the Committee previously mentioned (Attachment 4).

On November 1, 2016, Mr. Abel called the Analyst and left a voicemail. In the voicemail, Mr. Abel stated that the Committee was prepared to file a FEC Form 99 to provide additional clarification (Attachment 4).

Subsequently, the Analyst returned his call on November 2, 2016 and explained that the additional information placed on the public record would be taken into consideration. Mr. Abel informed the Analyst that the Committee would file the FEC Form 99 by the end of the day (Attachment 4).

On November 2, 2016, the Committee filed an FEC Form 99. The Committee stated, in part:

"Since learning of the error, and as a reflection of the seriousness with which Council PAC handles these issues, numerous controls were implemented to prevent such actions from occurring again and to ensure accurate, timely filings moving forward, including:

1. Council PAC Staff, with the assistance of outside counsel, completed a thorough review of the Council PAC, and also completed filings with the FEC to amend the reports affected by the transfer.

2. Council PAC installed a new Assistant Treasurer for the PAC, who is a long-time Council employee and member of their senior staff. Going forward, she and the PAC Treasurer will be the only individuals authorized to sign Council PAC checks or to make any disbursements with PAC dollars. The Statement of Organization was amended and further updated to reflect both this change, and other organizational contact information changes, including changing the Custodian of Record to the Council CFO.

3. The Council management implemented additional controls, including removing the Council PAC bank account from National Capital Banks online transfer system.

4. The Council removed the Council PAC account from its ANYBILL online payable system account, thereby disallowing any online approval of disbursements from the Council PAC. The Council will only issue paper checks for disbursements after reviewing paper requests.

5. All FEC reports are now being sent to the Councils outside legal counsel, Steptoe & Johnson, LLP, prior to review by the Custodian of Records. After that review is completed, the PAC Treasurer will also review the report and provide a manual signoff on the paper report before it is filed online with the FEC.

6. Staff met with the government relations staff from the software firm that provides the Council their FEC reporting software, to ensure the Council PAC has updated software and system usage procedures, and to make sure staff was aware of and taking full advantage of the compliance features of the software. Council PAC will continue to follow up with the software provider on a regular basis.

7. Staff attended FEC training in June 2016, and they will continue to follow up with further training as appropriate.

8. All communications from the FEC that are not already addressed to the PAC Treasurer, will be forwarded to him immediately.

9. Legal counsel will review any control changes regarding the Council PAC prior to implementation. In addition, The Council and its related subsidiaries, including the PAC, are audited and will continue to be audited annually by their independent audit and accounting firm. The most

recent audit flagged the errors at issue here" (Image 201611029037018599-600).

To date, no further communication has been received from the Committee regarding this matter.

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O-Index (2015-2016)

Cmte. ID: C00039578 Cmte. Name: THE COUNCIL OF INSURANCE AGENTS & BROKERS POLITICAL ACTION COMMITTEE
 Treasurer Name: CRERAR, A. KEN Address: 701 PENNSYLVANIA AVENUE, NW SUITE 750, WASHINGTON, DC 20004-2608
 Cmte. Type: Q (QUALIFIED NON-PARTY) Cmte. Designation: B (LOBBYIST/REGISTRANT PAC) Filing Frequency: MONTHLY FILER

Form Tl	Rpt Tp	All	Receipt Dt	Pgs	Begin Ing#	Beg Cvg Dt	End Cvg Dt	Ltr Mail Dt	Begin Cash	Receipts	Disb	End Cash	Debits	Loans	Debits & Loans
MS-T			5/20/2016	1	20160520901599534										
MS-T			10/5/2016	1	201610059032169837										
MS-T			1/2/2016	2	201611029037018599										
RQ2	M11	N	1/31/2016	3	201601310300009719	10/1/2015	10/31/2015	1/31/2016							
RQ2	YE	A	9/7/2016	2	201609070300058091	12/1/2015	12/31/2015	9/7/2016							
RQ2	M2	A	9/7/2016	2	201609070300058099	1/1/2016	1/31/2016	9/7/2016							
F3XN	M2	N	2/20/2015	11	15970274096	1/1/2015	1/31/2015		\$784,975	\$16,286	\$55,818	\$745,443			\$0
F3XN	M3	N	3/19/2015	25	15950883967	2/1/2015	2/28/2015		\$745,443	\$78,944	\$23,498	\$800,890			\$0
F3XN	M4	N	4/16/2015	60	15951178176	3/1/2015	3/31/2015		\$800,890	\$98,874	\$170,955	\$728,809			\$0
F3XA	M4	A	7/14/2015	61	201507149000104114	3/1/2015	3/31/2015		\$800,890	\$98,874	\$170,955	\$728,809			\$0
F3XA	M4	A	5/20/2016	61	201605209015990215	3/1/2015	3/31/2015		\$800,890	\$98,874	\$170,955	\$728,809			\$0
F3XA	M4	A	6/29/2016	61	201606299020102661	3/1/2015	3/31/2015		\$800,890	\$98,874	\$170,955	\$728,809			\$0
F3XN	M5	N	5/20/2015	37	15971077849	4/1/2015	4/30/2015		\$728,809	\$69,776	\$20,307	\$778,278			\$0
F3XN	M6	N	6/19/2015	60	15971217804	5/1/2015	5/31/2015		\$778,278	\$107,554	\$35,967	\$849,865			\$0
F3XA	M6	A	5/20/2016	61	201605209015993294	5/1/2015	5/31/2015		\$778,278	\$107,554	\$35,967	\$849,865			\$0
F3XN	M7	N	7/17/2015	82	201507179000256340	6/1/2015	6/30/2015		\$849,865	\$110,084	\$22,671	\$837,258			\$0
F3XN	M8	N	8/20/2015	59	201508209000876959	7/1/2015	7/31/2015		\$837,258	\$78,740	\$42,408	\$873,590			\$0
F3XN	M9	N	9/17/2015	133	2015091790002698687	8/1/2015	8/31/2015		\$873,590	\$233,551	\$26,659	\$1,080,482			\$0
F3XN	M10	N	10/20/2015	148	201510209003167596	9/1/2015	9/30/2015		\$1,080,482	\$202,681	\$150,230	\$1,132,933			\$0
F3XA	M10	A	10/18/2016	149	201610189033028568	9/1/2015	9/30/2015		\$1,080,482	\$202,681	\$150,230	\$1,132,933			\$0
F3XN	M11	N	11/19/2015	88	201511199003393693	10/1/2015	10/31/2015		\$1,132,933	\$72,128	\$114,218	\$1,090,842			\$0
F3XA	M11	A	5/20/2016	89	201605209015990317	10/1/2015	10/31/2015		\$1,132,933	\$72,128	\$114,218	\$1,090,842			\$0
F3XA	M11	A	10/18/2016	89	201610189033028719	10/1/2015	10/31/2015		\$1,132,933	\$72,128	\$114,218	\$1,090,842			\$0
F3XN	M12	N	12/18/2015	51	201512189004314047	11/1/2015	11/30/2015		\$1,090,842	\$20,123	\$35,124	\$1,075,841			\$0
F3XN	YE	A	1/28/2016	67	2016012890004671924	12/1/2015	12/31/2015		\$1,075,841	\$16,402	\$109,581	\$982,662			\$0
F3XA	YE	A	5/20/2016	69	201605209015991157	12/1/2015	12/31/2015		\$1,075,841	\$16,402	\$109,581	\$982,662			\$0
F3XN	M2	N	2/19/2016	14	201602199008498480	1/1/2016	1/31/2016		\$982,662	\$13,803	\$49,602	\$946,863			\$0
F3XA	M2	A	5/20/2016	16	201605209015991226	1/1/2016	1/31/2016		\$982,662	\$13,803	\$49,602	\$946,863			\$0
F3XN	M3	N	3/18/2016	41	201603189009792653	2/1/2016	2/29/2016		\$946,863	\$134,524	\$83,968	\$997,420			\$0
F3XA	M3	A	5/23/2016	42	201605239017283446	2/1/2016	2/29/2016		\$946,863	\$134,524	\$83,968	\$997,420			\$0
F3XN	M4	N	4/20/2016	88	201604209012612616	3/1/2016	3/31/2016		\$997,420	\$145,790	\$248,813	\$894,397			\$0
F3XA	M4	A	5/23/2016	89	201605239017283540	3/1/2016	3/31/2016		\$997,420	\$145,790	\$248,813	\$894,397			\$0
F3XN	M5	N	5/20/2016	32	201605209015947393	4/1/2016	4/30/2016		\$894,397	\$52,852	\$15,174	\$932,075			\$0
F3XA	M5	A	5/23/2016	33	201605239017283658	4/1/2016	4/30/2016		\$894,397	\$52,852	\$15,174	\$932,075			\$0
F3XN	M6	N	6/24/2016	33	201606249020093906	4/1/2016	4/30/2016		\$894,397	\$52,852	\$15,174	\$932,075			\$0
F3XA	M6	A	6/20/2016	68	201606209018495864	5/1/2016	5/31/2016		\$932,075	\$89,757	\$83,544	\$938,288			\$0
F3XN	M7	N	7/20/2016	65	201607209020740953	6/1/2016	6/30/2016		\$938,288	\$54,567	\$112,871	\$879,984			\$0
F3XN	M8	N	8/19/2016	70	201608199022637930	7/1/2016	7/31/2016		\$879,984	\$99,134	\$10,864	\$988,254			\$0
F3XN	M9	N	9/20/2016	126	201609209030991574	8/1/2016	8/31/2016		\$988,254	\$211,396	\$72,111	\$1,107,539			\$0
F3XN	M10	N	10/20/2016	202	201610209034128201	9/1/2016	9/30/2016		\$1,107,539	\$331,046	\$286,684	\$1,151,902			\$0
F3XN	12G	N	10/27/2016	36	201610279034719517	10/1/2016	10/19/2016		\$1,151,902	\$42,745	\$55,650	\$1,138,997			\$0
F3XN	30G	N	12/8/2016	122	201612089037788588	10/20/2016	11/28/2016		\$1,138,997	\$65,110	\$259,569	\$944,538			\$0
F1A		A	5/20/2016	5	201605209015990168										
Totals									\$3,045,859	\$2,886,296					

The Council of Insurance Agents & Brokers Political Action Committee (C00039578)
2015 Year-End Report / Amended 2015 Year-End Report

Overview of Additional Disbursements:

Report Line	2015 Year-End Report (Image 201601289004671 927)	Amended 2015 Year- End Report, received 5/20/16 (Image 201605209015991160)	Disbursement Variance Amount
Line 29: Other Disbursements	\$0.00	\$700,000.00	\$700,000.00
Total	\$0.00	\$700,000.00	\$700,000.00

The Council of Insurance Agents & Brokers Political Action Committee (C00039578)
2016 February Monthly Report / Amended 2016 February Monthly Report

Overview of Additional Receipts:

Report Line	2016 February Monthly Report (Image 20160219900849 8482)	Amended 2016 February Monthly Report, received 5/20/16 (Image 201605209015991228)	Receipt Variance Amount
Line 15: Offsets To Operating Expenditures	\$0.00	\$700,000.00	\$700,000.00
Total	\$0.00	\$700,000.00	\$700,000.00